

**The Financial Feasibility of a Merger between the
St. Peters Fire Protection District and the
St. Charles Fire Protection District**

Strategic Management of Change

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Abstract

The St. Peters Fire Protection District (SPFPD) and the St. Charles Fire Protection District (SCFPD) are neighboring fire districts located in St. Charles County, Missouri. A common problem facing both districts is the rising cost of operations.

The staff of both districts began to study the possibility of consolidating the two Districts into one larger District. The core issue in accepting a consolidation of the two fire districts by the rank and file of both districts is a clear financial picture of the operation of a consolidated fire district.

The purpose of this research project was to determine whether or not a combined fire district could operate in a fiscally sound manner and to develop an outline for a long-range financial plan to guide the consolidation effort. Historical and evaluative research methods were employed to answer the following questions:

1. Is the tax base sufficient to support a fully paid consolidated fire protection district?
2. What should the tax rate be for the new fire district in order to guarantee financial stability to support the districts' programs?
3. What would the first year operational costs be of a merged fire district versus its projected income?

The process for this research project required information to be gathered from the two fire districts for the purpose of analysis and development of a projected budget. This project utilized Microsoft's Excel spreadsheet program for the development and multi layer analysis of this project.

It was determined during the course of the research project that financial resources are more than adequate to meet projected budget expenditures. Furthermore, a consolidated fire protection district would be able to operate in a sound financial condition through the year 2004.

The research project recommended that the staff should prepare a long range financial plan that addresses the strategic goals and objectives of the District in order to insure the continued financial stability of the District.



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Introduction

The St. Peters Fire Protection District (SPFPD) and the St. Charles Fire Protection District (SCFPD) are neighboring fire districts located in St. Charles County, Missouri. The two districts, while different in staffing methods (SPFPD is a fully paid department while SCFPD is a volunteer department), share a number of similarities in both their operational and tactical philosophies. One common goal of both districts is the desire to provide improved service while controlling costs.

A common problem facing both districts is the rising cost of operations. The SPFPD became fully paid in 1995 after the successful passage of a \$.25 personal property tax increase. As a result of the tax increase, the SPFPD went from a district of 30 employees to a district of 46 employees. The core of the problem for the SPFPD is as employee costs increase, less funds are available for capital improvements i.e., fleet purchases and building improvements. It will be necessary for the SPFPD to replace half of its fleet within the next four years.

The SCFPD financial issues varied from St. Peters in that the SCFPD had not had a tax increase since its inception in 1977. The SCFPD presently suffers from declining volunteer forces and the funds generated from the present \$.23 tax levy are not sufficient to hire full-time personnel. In fact the SCFPD has found themselves in quite a predicament due to a restriction in Missouri state law that prohibits fire districts from asking for more than a \$.25 increase. Also there is the problem of a dwindling tax base due to annexation of its prime commercial areas

by the neighboring City of St. Charles which operates a municipal Fire Department. It is estimated that it would require a tax increase of over \$.45 to generate sufficient funds to support a fully paid department.

The two fire districts began to explore the possibility of a merger as a potential answer to the needs of both districts in the fall of 1996. The first question that had to be answered was, “would such a merger be financially feasible?” The second question that had to be answered was, “could a merged district operate in a financially sound manner for the foreseeable future, as well as provide a higher level of service?”

The purpose of this research project was to determine whether or not a combined fire district could operate in a fiscally sound manner and to develop an outline for a long-range financial plan to guide the consolidation effort. Historical and evaluative research methods were employed to answer the following questions:

1. Is the tax base sufficient to support a fully paid consolidated fire protection district?
2. What should the tax rate be for the new fire district in order to guarantee financial stability to support the district’s programs?
3. What would the first year operational costs be of a merged fire district versus its projected income.

Background and Significance

The St. Peters Fire Protection District is located in the center of St. Charles County, Missouri. St. Charles County was the fastest growing county in the country for a number of years, in the late 1980s and early 1990s. The City of St. Peters, which comprises 34 of SPFPD's 55 square miles, grew from a population of 486 in 1970 to a population of 45,779 in 1990 according to the U.S Census Bureau. The SPFPD operates four 24 hour staffed engine companies from four stations providing fire, rescue and first responder EMS services to its citizens. With the high growth rate of the city and county, the area covered by the SPFPD is constantly changing and it has been a continual challenge to keep up with the fast paced growth of the district.

The SCFPD has not had a problem with balancing its budget since a tax increase was passed in 1994. However, the staff and board of directors have found it necessary to cut deeper and deeper into its capital improvement budget in order to maintain current programs, as well as meet contractual salary increases for its employees. It has been determined that the SPFPD must maintain a capital improvement budget of \$500,000 annually in order to have sufficient funds available for apparatus replacement, fire station replacement and improvements, as well as, general capital equipment purchases. Specifically, the SPFPD must invest \$150,000 for vehicle replacement and \$250,000 for buildings in order to keep up with the projected demand. In contrast, there was only \$277,000 available for these two areas at the close of 1997.

In 1976, the St. Charles Fire Protection District was formed from the former St. Charles Township Fire Department, a subscription department. With this transformation from fire tag or donation-supported volunteer fire department, the St. Charles Fire Protection District became a tax supported volunteer fire department. During the 1980s, the number of commercial properties declined and population growth rate slowed, primarily due to annexation of prime tax areas by the City of St. Charles.

The St. Charles Fire Protection District during this period operated four engine houses with approximately 60 volunteers and a part time Fire Marshal. The St. Charles Fire Protection District hired part time staff that is currently staffing two of their four engine houses 16 hours a day, seven days a week. However, due to erosion of their commercial tax base due to annexation, the tax base will not support staffing any of their four engine houses 24 hours. With the addition of part time paid personnel, the SCFPD no longer has funds available for truck or building replacement. Furthermore a budget projection concluded that a tax increase of \$.25, the maximum allowed by law, was insufficient to sustain full time personnel and provide funds for capital improvements.

The urgent need to develop a strategy for stabilizing the financial situation of both districts became evident to the staff of the SCFPD and the SPFPD. In late 1996, the staff of both districts called a meeting to discuss the possibility of consolidating the two districts into one larger district. The plan seemed worth pursuing, so both groups went about researching the possible pros and cons of such a consolidation. After four months of research, the respective groups

reconvened and reported their findings. The reports were overwhelmingly favorable to the proposed consolidation. Such areas as the elimination of duplicate services, equalization of services, increased buying power and cost containment were presented as positive outcomes of a consolidated district.

A survey of the employees of both districts was conducted to assess the support of the employees and volunteers for such a project and to identify any key opposition to a merger. The survey showed that the entire work force of the SPFPD was skeptical that a merger could be carried off without severely diluting the financial resources of the SPFPD. Their concern strikes at the core of the Change Management Model from the National Fire Academy's Strategic Management of Change course as follows (National Fire Academy 1997):

Step 1.2b Identify influential economic factors. (p SM C-4) The survey identified a perception on the part of the work force that the merger would have an adverse economic impact on the SPFPD.

Task 1.3 Assess impact of organizational conditions and potential destabilizing forces. (SM C-5) A key component to the success of the merger of the two districts was the support of the workforce. The passage of a ballot issue for the consolidation of the two districts requires the full support of the workforce to campaign for the passage of the issue by the voters. If the employees do not believe the merger is in the best interest of the district and themselves they will not campaign for it.

Step 2.3a Generate desired state/position to be achieved from change (SM C-7) The desired position of the consolidation effort was to produce a financially

stable fire district to serve the citizens for the foreseeable future. The consolidation committee realized that this was the one issue that must be rock solid in order to move forward.

Step 2.4b Evaluate completeness/soundness of envisioned change. (SM C-7) This was the primary basis for this research paper. How sound was the financial foundation on which the proposed consolidation would be based?

Task 3.1 Create environment of shared vision and common direction. (SM C-9) In order for the Consolidation Committee to sell the merger it was necessary for the committee to show the financial position of the existing districts and what the future financial picture appeared to be. In contrast, the committee would take the results of this research and show the stability of a consolidated fire district.

Task 3.2 Minimize initial resistance to change through effective communication.

(SM C-9) The workforce had to be comfortable with the numbers. This was accomplished through meetings that laid out the information developed from the research project.

The consolidation of the two fire districts represents a tremendous change in the social and economic fiber of the two districts. As outlined by the change model, you must identify your resistance and provide the information necessary for those who will be implementing the change to buy into the need and support the change.

Literature Review

A number of resources were utilized in this research project. One such resource came from the Offices of the State Auditor of Missouri who publishes a guide entitled *Budgets for Political Subdivisions*. This guide outlines not only the laws governing political subdivision budgets but provides a model for developing a governmental budget. This guide was used extensively for this research project as a model in preparing a five-year budget plan for a consolidated fire protection district. The State Auditor's guide also provides information on the development of an annual budget plan that would comply with applicable state laws.

The International Association of Fire Chiefs' *Fire and Emergency Service Self Assessment Manual* was used as an outline for developing some of the proposed financial policies that are recommended for the management of the financial resources of a consolidated fire district. In particular, Category IV *Financial Resources* was used as a benchmark for the evaluation of existing policies and data gathered from both fire districts. "Financial Resources are defined as an analysis of the financial condition of the proposed District to determine its ability to fund operational priorities, its effectiveness in serving community needs and its prognosis for long range quality of service." (IAFC, 1995)

In a May 1992 article in *Firehouse* magazine, Harry Carter, Ph. D. writes, "It is crucial that the relationship between dollars and programs be understood. Everything that a fire chief may wish to do hinges on the resources available." This strikes at the fundamental concern of the fire fighters of both fire districts; if

the dollars are not there, programs cannot survive. Carter further states that “many fire chiefs fail to make the distinction that a direct relationship exists between the amount of money available for fire protection and the revenue generating capability of a community.”

Lewis F Mclain Jr. in “How Strategic Planning Can Help Put Budgeting in Perspective” (*Government Finance*, June 1981), recommends developing a five year plan initially. He recommends starting the planning process for a budget with goals and objectives to provide direction to the budgeting process. From that point he recommends to prepare economic assumptions, develop a multi year forecast, and prepare a financial outlook. The forecast period for the budget that was developed for a consolidated fire district is five years based on Mclain’s and others’ recommendations.

The key to successful budget planning as viewed by Mclain is looking at the complete revenue picture versus the cost requirements of operation, not only for the current year but the long-term cost of operation. Koelsch and Cavanaugh in the *MIS Report*, August 1993, “Strategic Budgeting” recommends forecasting revenue based on a five to ten year review of receipts. The report further recommends that an explanation of how the estimate was made, including source of information, explanation and rationale for assumed trends accompany the budget projection. Based on this information, the St. Charles County Assessor’s Office was contacted to obtain the tax assessment for each of the two fire districts for the years 1992 through 1997. This data was used to develop an average rate of growth for the two fire districts during the last five years.

An interview was conducted with James W. Lloyd, CPA, a partner in the firm of Fuszner-Lloyd, LLC, Certified Public Accountants, who conduct the annual audit for the SPFPD. Mr. Lloyd provided direction on projecting income levels for future budgets of a consolidated fire district. He stated that when projecting the income growth there are two primary factors of concern, tax base growth rate and inflation. He further made the point that even in an area where zero growth has occurred, the tax base will continue to grow due to inflation and the biannual reassessment of property in the State of Missouri.

Chief Brian Ochs of the SCFPD was contacted to obtain a copy of the SCFPD 1996 annual financial report conducted by the firm of Boltz, Deal & Company, P.C., Certified Public Accountants. This data provided insight into the financial standing of the SCFPD. The data showed that the SCFPD was in a stable financial condition within the limits of its current level of service. However, the annual report showed that the SCFPD had dwindling reserves and was balancing its budget by limiting capital expenditures.

Chief Ochs provided a copy of the SCFPD 1996 and 1997 department budget. The data within these two budgets provided crucial data needed to project the operating costs of a consolidated fire district.

A copy of the SPFPD 1996 annual financial report conducted by the firm Fuszner-Lloyd, L.L.C. Certified Public Accountants was obtained from Judith Riensmith, Administrator for the SPFPD. This data provided insight into the financial standing of the SPFPD. The data showed that the SPFPD was also in a stable financial condition within the limits of its current level of service. The

annual report showed that the SPFPD was building capital reserve funds for the purpose of capital improvements. However, the report showed that the amount dedicated to the capital reserve fund had been reduced significantly over the last two years for the purpose of balancing its budget.

The SPFPD 1996 and 1997 department budget was obtained from Administrator Rinesmith for the purpose of completing the financial picture of a consolidated fire district. The data within these two budgets provide a financial framework in order to begin the process of building a budget for a district that will have 57% more employees than are currently employed by the SPFPD.

Procedures

The first step in the attempt to answer the questions put forward in this research paper was to obtain a copy of the 1997 operating budgets of the St. Peters and St. Charles Fire Protection Districts. (Appendix A) At that point a budget outline was developed for the consolidated fire district utilizing the information obtained from the two budget documents. The SPFPD budget was used to form the line item framework for the consolidated budget because of its greater detail and history of budgeting for a fully paid department. The outline was developed using the Microsoft Excel® spreadsheet program.

In order to develop an income projection, data acquired from the St. Charles County Assessor's Office was analyzed for growth trends over the last five years. (See Table 1).

Table 1

Growth Rate of Assessed Valuations of the St. Peters & St. Charles Fire Protection Districts

Year	SPFPD	% of Increase	SCFPD	% of Increase
1991	429,175,557		241,658,564	
1992	457,148,351	6.52	246,773,291	2.12
1993	464,276,948	1.56	253,144,998	2.58
1994	492,571,536	7.44	276,451,131	9.21
1995	516,756,081	2.82	285,835,521	3.39
1996	565,184,747	14.47	316,473,744	10.72
	Average	6.25	Average	5.6

Source: St. Charles County Assessor's Office

The projected financial resources of the combined district was based on the 1997 assessed valuation of the SCFPD of \$316,473,744, and SPFPD of \$584,966,213, as certified by County Clerk, Jim Primm, on June 30, 1997. Assessed valuation growth was calculated at three different rates. A base figure of 3.5% annual growth was calculated to project whether or not the District could support itself should there be a negative change from the current five year average growth rate as shown in Table #1. In addition, rates of 4.5% and 5.5% growth were calculated. The 5.5% rate is the closest rate to the five-year averaged growth rate for the two districts of 5.9%. A matrix was developed for each growth rate to show the projected assessed valuation for the years 1999 through 2004 (Appendix A). The projected assessed valuation for each growth rate and each year was multiplied initially by \$.60 to develop a base projected income for the consolidated district.

The next step was to estimate expenses for the consolidated district. This was done by analyzing each line item to determine what impact consolidation would have. Some cost areas would not be impacted by consolidation such as utilities, water, sewer and trash. These areas simply required adding together the two line items from the separate budgets. Other areas required more complex analysis, i.e., personnel cost.

Personnel costs were projected by taking the salary scale of the SPFPD and developing a spreadsheet (Appendix B) to calculate the salary cost of present personnel with the addition of 27 new positions. The number of new employees, 27, came from a recommendation that was developed by a committee comprised

of members of both fire districts that had been assigned the task of addressing staffing levels for a consolidated district. The spreadsheet reflects not only the cost of personnel moving up the scale within grade over a five year period, the pay scale is also adjusted by an across the board cost of living increase for all employees of 4% annually. The figure of 4% was used because of a contractual agreement between the SPFPD and Local 3410 of the IAFF stipulating a 4% cost of living increase.

Employee benefits for new and existing employees were calculated with the help of Judith Rinesmith, Administrator for the SPFPD. I asked Ms. Rinesmith, to provide cost breakdowns for all employee benefits, i.e., taxes, insurance, and retirement. With this information it was determined that benefit costs were 28% of total wages. For projected budget purposes, benefits were calculated by multiplying the total wages for each year by 28% (Appendix B).

The next major area of concern that was addressed in the development of a projected budget was the capital equipment budget. This was developed by first compiling a list of all vehicles owned by the two districts. Both districts had previously adopted a replacement schedule of 5 years for staff vehicles and 15 years for apparatus. This same schedule was used to determine equipment retirement dates for existing equipment. The next step was to determine which equipment would be liquidated as a result of consolidation. A spreadsheet was then developed to show an equipment replacement schedule (Appendix C).

Apparatus future cost was determined by taking the original purchase price and comparing that to current replacement cost. From this comparison it

was determined that an inflationary rate of 3.8% should be used. The spreadsheet shows the replacement cost based on the original purchase price with the inflationary factor of 3.8%. From this spreadsheet it was determined that \$500,000 should be budgeted for vehicles the first year of operation and \$300,000 for each year after 1999. This would enable the consolidated district to maintain a capital vehicle fund that would allow for replacement of apparatus on a 15-year cycle without having to rely on financing.

After compiling all the budget categories for the 1999 budget, projected budget line items were created on the spreadsheet for the years 2000 through 2004 (Appendix D). This was accomplished by applying the cost figures from the supporting spreadsheets, i.e., personnel and capital fleet replacement or by multiplying the 1999 line item by 1.3% in order to account for inflation.

Table 2 shows the growth of revenue generated by a \$.05 levy for retirement (the level presently assessed by the SPFPD). This amount would be sufficient to maintain the present retirement structure. The annual cost to fund the retirement system for 74 full-time employees would be \$ 414,500 initially.

Table 2

Year	Retirement Income
1999	\$454,054
2000	\$467,676
2001	\$481,706
2002	\$496,157
2003	\$511,042
2004	\$526,373
2005	\$542,164
2006	\$558,429

The final step was to determine the tax levy that would be set for the consolidated fire districts. This was done by applying different tax rates to the income equation. Rates of \$.50, \$.55, \$.58, \$.60 and \$.65 per \$100.00 assessed valuation were applied for comparison. A tax rate of \$.60 per assessed valuation was selected for the final projection.

After completing the five-year budget projection, a preliminary budget was submitted to James W. Lloyd, CPA. Mr. Lloyd was asked to review the projected budget to assist with validating the assumptions that had been made relating to income growth and cost projections. It was Mr. Lloyd's opinion that when attempting to project the future revenue of the consolidated district, the higher rate of growth should be used. His rationale was that the assessed valuation of the district should grow annually at least at the rate of inflation, approximately 3%. He stated that the more difficult factor to calculate would be the growth from new construction. He said that using the five-year history should give a fair picture of the immediate future, barring any major economic factors that would adversely affect new construction within the consolidated district.

The budget projection was then distributed to the staff of each fire district for their review. The chief officers in charge of each department were asked to review the various line items that pertained to their particular field of responsibility to determine if there were any deficiencies and/or excess in the projected budget. Input from the chief officers was then used to fine-tune the budget projection.

The projected budget was then presented to the committee charged with studying consolidation for inclusion in the main consolidation document.

Limitations

This research project was subject to certain limitations. The first would be the accuracy of forecasted numbers. Projections are only as accurate as the data they are based on and the combination of the financial conditions remaining the same as those that created the data. This research was further limited by the local availability of similar research and related publications for comparison.

Finally the research was limited by the fact that this is the first time in Missouri history that two fire protection districts have attempted a consolidation project. This fact further limited the availability of historical data for comparison.

Results

Research Question #1: Is the tax base sufficient to support a fully paid consolidated fire protection district?

Based on the analysis of the data generated in the spreadsheets, a fully paid consolidated fire protection district can be supported by the tax base (See Appendix D). The data shows that the tax base will support a fully paid department not only with the continued historical growth rate of 5.9% but in the case of an economic downturn with a growth rate of 3.5%.

Research Question #2 What should the tax rate be for the new fire district in order to guarantee financial stability to support the district's programs?

The tax rate should be set at \$.60 per \$100 assessed valuation for operations and \$.05 for retirement. This was determined by a comparison of several tax rates. Lower rates, while possibly generating sufficient funds to operate the first year or two of operation, would not generate sufficient funds for operation in the fourth and fifth year. The funds generated by a \$.60 cent tax rate provide sufficient funds to operate the district and develop sufficient reserve funds for capital equipment replacement as well as capital building projects that would be required. The \$.05 retirement will generate sufficient revenue to cover new employees and sustain limited growth overtime.

Question #3 What would the first year operational costs be of a merged fire district versus its projected income.

The total operating cost for the first year of operation (1999) of a consolidated fire district would be \$4,574,759. The income for the first year of operation is projected to be \$5,814,134. This would leave \$1,239,375 available the first year for capital equipment purchase, fire station renovation to meet the needs of paid fire fighters, and new construction.

Discussion

“Financial resources are defined as an analysis of the financial condition of an agency to determine its ability to fund operational priorities, its effectiveness in serving community needs and its prognosis for long range quality of service.” (IAFC 1995) Resources must be adequate to maintain the various programs to which the District has made a commitment. Financial stability of revenues is a primary objective of the consolidation effort taken on by the SCFPD and SPFPD.

The chief fire officer, professional staff, and the board of directors share responsibility for planning, management, and stability of financial resources. Budget preparation is the ultimate responsibility of the chief fire officer and administrative staff of the district. Since the budget is the financial expression of district programs and priorities, it should be developed through appropriate consultation with the governing board of the district. In approving the budget, the board of directors will approve the acquisition and allocation of resources consistent with district goals, objectives and stated priorities. (IAFC 1995)

Financial resources are more than adequate to meet projected budget expenditures. A projected budget for the first year of operation (1999) was developed from an analysis of both Districts budget histories. Consideration was given to reduction of some operating and administrative costs along with increases in personnel costs. All non-personnel expenses were accelerated at an inflation rate of 3% annually through 2004. Personnel expenses were calculated using the 1998 negotiated salary scale and accelerating personnel costs by 4%

annually for the years 1999 through 2004. Employee benefits were calculated at a rate of 28% of salaries. The current employee benefit cost for the SPFPD is 27%. The employee cost acceleration rate of 4% was used based on the history of the SPFPD and the national average of public employee salary increase of 3% annually. This figure was used for projection purposes. Actual salary increases and individual annual salaries will depend on negotiated agreements between the Board of Directors and IAFF Local 3410.

Appendix D shows the projected revenues, expenses and capital funds for the new district through the year 2004. According to the projections, a consolidated district would be able to operate in a fiscally sound manner through 2004. The new district should be able to generate a capital reserve fund of \$5.8 million by the year 2004 in addition to the existing reserve funds of the two Districts, using the 3.5% growth rate. A growth rate of 5.5% would result in a capital reserve fund of over \$8.8 million. The 2004 capital reserve fund represents total funds generated over the period of 1999-2004, minus vehicle purchases. They do not reflect property acquisition, new buildings or remodeling.

The "Vehicle Replacement Schedule", Appendix C, outlines the vehicle replacement plan for the consolidated district through the year 2017. The consolidation of the two districts eliminates the need to purchase a new Rescue/Pumper in 1999, as currently planned by the SPFPD. This would result in savings of over \$325,000 in 1999.

The combining of the two districts will allow the new district to capitalize on the average fleet age of 4.9 years. Based on the age of the remaining combined

equipment, it will not be necessary to purchase a new pumper until 2003. This will enable the new district to develop a stable Capital Fleet Fund.

Recommendation

Financial planning and resource allocation should be based on district planning involving broad staff participation. The district's plan for financing should reflect sound strategic planning and a commitment to its stated goals and objectives. Financial support for programs and services should be adequate to maintain the number and quality of personnel and other operational costs. (IAFC, 1995)

The Board of Directors should give the staff appropriate direction in budget and planning over matters within their scope of services. The following is an outline of policies, guidelines and processes for developing the annual budget based on the guide, *Budgets for Political Subdivisions*, published by the Missouri State Auditors Office:

- The Board shall appoint a “Budget Officer” at the regular January Board meeting to direct the preparation of the annual budget.
- The Budget shall include:
 - ◊ Budget Message and Budget Summary
 - ◊ Statement of Revenue
 - ◊ Proposed expenditures in sufficient detail by fund
 - ◊ Schedule of debt retirement
 - ◊ Certification by the budget officer
- Fire Chief shall present a draft budget to the board of directors by no later than the first regularly scheduled work session in August for the purpose of setting the annual tax rate.

- The Board of Directors shall call a budget and tax hearing for the purpose of setting the tax levy for the coming year in August of each year as prescribed by Missouri State Statute.

The budget process should involve input from staff, division chiefs, committees and those persons charged with operational responsibilities that would have an impact on the budget.

Financial stability is the fundamental aspect of the integrity of a district. The district must ensure that programs offered can be supported by the necessary fiscal resources. The staff should prepare a long range financial plan that addresses the strategic plan goals and objectives of the district in order to insure the continued financial stability of the district. Programs and activities must be based on current and anticipated revenues and must be adequate to maintain present levels of service. This research project has developed a projected budget through the year 2004 to determine the financial stability of the new district.

As part of the long-range financial plan, the staff should develop a “Capital Expenditures Plan” that will reflect organizational growth and objectives. This plan must be reviewed and updated on an annual basis in order to evaluate the effectiveness of the budget process in meeting the goals of the consolidated fire district.

A first year investment of \$500,000 and an annual investment of \$300,000 should be deposited into a Capital Fleet Fund to provide sufficient capital to maintain the existing fleet through the year 2017. This plan anticipates a five-year replacement of staff vehicles and a 15-year replacement of suppression

and rescue vehicles. The Capital Fleet Fund, after anticipated fleet purchases, should accumulate a positive balance of \$868,177 by 2004, based on 4% interest and a \$300,000 annual investment.

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